

# SENATE RECORD VOTE ANALYSIS

105th Congress  
2nd Session

Vote No. 283

September 23, 1998, 12:05 p.m.  
Page S-10754 Temp. Record

## BANKRUPTCY REFORM/Interfering with the Federal Reserve

**SUBJECT:** Consumer Bankruptcy Reform Act . . . S. 1301. Domenici motion to table the Harkin amendment No. 3616 to the Grassley/Hatch substitute amendment No. 3559 to the committee substitute.

### ACTION: MOTION TO TABLE AGREED TO, 71-27

**SYNOPSIS:** As reported with a substitute amendment, S. 1301, the Consumer Bankruptcy Reform Act, will enact reforms to prevent creditors who have the means of paying their debts from unjustly filing for bankruptcy, and will enact reforms to protect consumers from unfair credit practices.

The Grassley/Hatch substitute amendment would retain the underlying substitute amendment's provisions and would add provisions relating to business bankruptcies.

**The Harkin amendment** would express the "sense of the Congress that the Federal Open Market Committee should promptly reduce the Federal Funds rate." It would also make numerous findings on interests rates, the United States' economy, world economic conditions, and the purported benefits that would come from the Federal Reserve lowering interest rates.

Debate was limited by unanimous consent. After debate, Senator Domenici moved to table the Harkin amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

**Those favoring** the motion to table contended:

The question before the United States Senate is not whether the Federal Reserve should reduce interest rates; instead, it is whether the United States Senate should put political pressure on the Federal Reserve to promptly lower interest rates. Such pressure would have an immediate negative effect on the United States' economy, and on the world's economy, and it would set a dangerous precedent of legislative interference in an area that Congress wisely chose long ago to remove from the realm of politics. The United States has had remarkable growth in recent years, and a large part of the credit must go to the Federal Reserve for its very able

(See other side)

YEAS (71)			NAYS (27)		NOT VOTING (2)	
Republicans (53 or 98%)	Democrats (18 or 41%)		Republicans (1 or 2%)	Democrats (26 or 59%)	Republicans (1)	Democrats (1)
Abraham	Hutchinson	Biden	Gorton	Akaka	Warner- <sup>2</sup>	Glenn- <sup>2</sup>
Allard	Hutchison	Bingaman		Baucus		
Ashcroft	Inhofe	Breaux		Boxer		
Bennett	Jeffords	Byrd		Bryan		
Bond	Kempthorne	Dodd		Bumpers		
Brownback	Kyl	Durbin		Cleland		
Burns	Lott	Feinstein		Conrad		
Campbell	Lugar	Graham		Daschle		
Chafee	Mack	Kerry		Dorgan		
Coats	McCain	Kohl		Feingold		
Cochran	McConnell	Landrieu		Ford		
Collins	Murkowski	Leahy		Harkin		
Coverdell	Nickles	Moseley-Braun		Hollings		
Craig	Roberts	Moynihan		Inouye		
D'Amato	Roth	Murray		Johnson		
DeWine	Santorum	Robb		Kennedy		
Domenici	Sessions	Rockefeller		Kerrey		
Enzi	Shelby	Wyden		Lautenberg		
Faircloth	Smith, Bob			Levin		
Frist	Smith, Gordon			Lieberman		
Gramm	Snowe			Mikulski		
Grams	Specter			Reed		
Grassley	Stevens			Reid		
Gregg	Thomas			Sarbanes		
Hagel	Thompson			Torricelli		
Hatch	Thurmond			Wellstone		
Helms						

#### EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

#### SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

management of the money supply. It has kept that supply closely matched to the amount produced, which has kept prices stable and encouraged investment and growth. Many countries around the world are experiencing great financial difficulties at present. Those financial difficulties are primarily of their own making. Some of those countries have had corrupt policies; some have had socialist policies that have interfered with or starved their markets; some have had both. The strength of the United States' economy, which is the largest, most open economy in the world and which is tied by trade to the countries in trouble, is preventing further economic collapse. Financial and political leaders in Asia, Europe, and elsewhere understand the importance of the continued strength of the United States' economy. When we have met with those leaders and have asked them what they consider to be the primary reason that the United States' free market system is working so well, they have universally given credit to the Federal Reserve, which has been allowed to operate without any political pressure. Members, of course, would prefer to hear that they were responsible for America's economic strength--Republicans would like to be praised for their huge tax cuts, for balancing the budget, and for reforming welfare, and Democrats would like to hear someone else repeat their claim that all present day prosperity in America can be traced solely to their decision in 1993 to impose the largest tax hike in history. What impresses investors in this country and investors and leaders around the world, though, is that such political arguments are not made when it comes to monetary policy; Members certainly have their opinions, but control over the money supply has been turned over to financial experts, and those experts have made apolitical, ministerial decisions that have had phenomenal success.

Given these facts, it would cause a great deal of alarm around the world if the United States Senate suddenly decided to say that the Federal Reserve should take a specific action. The danger is that the statement would be seen as, and would be, a deliberate act of political interference. Investors would be fearful that this would be just the first of many political forays into monetary policy. If businesses and investors had reason to believe that monetary decisions were to be made based on winning votes in the short-term instead of preserving prosperity in the long-term, they would cut back on investments, on new production, and on employment. Interest rates would climb, income would decline, and growth would stagnate.

Some Senators have said that this amendment is similar to a sense-of-the-Senate resolution passed in 1982, that stated that it was the sense of Congress that the Federal Reserve "should continue to take such actions as are necessary to achieve and maintain a level of interest rates low enough to generate significant economic growth, and thereby reduce the current intolerable level of unemployment." We emphatically disagree. That resolution did not express support for any specific actions. If the Harkin amendment said that the Federal Reserve should take those monetary actions that are necessary to keep the American economy strong and growing, or if it even said that it should consider lowering interest rates instead of saying that it ought to, we could support this amendment. However, we cannot agree to a political statement that a specific monetary action should be taken. The Federal Reserve should consider lowering interest rates, and make an apolitical judgment as to whether that action is appropriate.

In this particular instance we agree with our colleagues that interest rates should be lowered. The continued strength of the United States' currency is exacerbating problems in many countries that hold their debt in dollars. Also, there are continuing signs of deflation in our economy, which can be countered with a lower interest rate. Lowering interest rates will not cure any of the basic causes of the current world financial difficulties, but it will make those difficulties less severe. Our liberal colleagues have many other reasons that they believe that interest rates should be lowered that we frankly think are economic nonsense. The point, though, is that there is near unanimity that interest rates ought to be lowered. We think that it is very likely that they will be without damaging political interference from the Senate, and if they are not, we trust the expert judgment of the Federal Reserve over our political judgment. Therefore, we strongly urge our colleagues to table this amendment.

**Those opposing the motion to table contended:**

Congress has express constitutional authority over monetary policy. Earlier this century it delegated that authority to the Federal Reserve. We agree with that action. The Federal Reserve's actions should be insulated from the rough-and-tumble of daily politics. However, it is not a separate branch of government that is totally independent, nor should it be. Congress has amended the Federal Reserve Act on several occasions, and has given it guidance on the policies that it should pursue. We think such guidance is urgently needed today. The United States has been so preoccupied with the ongoing crisis in the White House that it has paid little attention to the crumbling world financial situation. If the United States, which is still strong economically, does not take action soon to bolster world markets, the world may fall into a deflationary spiral the size of which has not been seen since the Great Depression. The United States will not be able to escape the effects of such a collapse. Unfortunately, though there are growing signs that the United States is already experiencing deflation, and though those signs are recognized by liberals and conservatives alike, the current Federal Reserve Board Chairman remains obsessed by the fear of inflation. He is keeping interest rates inordinately high in order to keep down real wage and job growth, which he believes cause inflation. We have always found this theory suspect, but in the current situation it obviously is not valid. It is very appropriate for Congress to tell the Federal Reserve that it should cut interest rates. We urge the support of this amendment.